

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Pointe Aux Barques	County Huron County
Fiscal Year End 3/31/2007	Opinion Date 8/15/2007	Date Audit Report Submitted to State 9/14/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

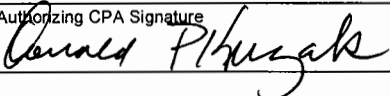
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P.C.		Telephone Number 989/269-9541	
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
		Zip 48413	
Authorizing CPA Signature 		Printed Name Donald P. Kuzak	License Number 1101007059

**POINTE AUX BARQUES TOWNSHIP**  
**HURON COUNTY, MICHIGAN**

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**FINANCIAL REPORT**  
**YEAR ENDED MARCH 31, 2007**

	<u><b>Page Number</b></u>
<b><i>Independent Auditors' Report .....</i></b>	<b><i>1</i></b>
<b><i>Basic Financial Statements</i></b>	
<b>Statement of Net Assets .....</b>	<b>2</b>
<b>Statement of Activities .....</b>	<b>3</b>
<b>Combined Balance Sheet – Governmental Fund Types.....</b>	<b>4</b>
<b>Reconciliation of Fund Balance on the Balance Sheet for         Governmental Funds to Net Assets of Governmental Activities         On the Statement of Net Assets.....</b>	<b>5</b>
<b>Statement of Revenue, Expenditures, and Changes in Fund         Balances - Governmental Fund Types .....</b>	<b>6</b>
<b>Reconciliation of the Statement of Revenues,         Expenditures and Changes in Fund Balances of Governmental         Funds to the Statement of Activities .....</b>	<b>7</b>
<b>Fiduciary Funds Statement of Net Assets .....</b>	<b>8</b>
<b>Notes to Financial Statements.....</b>	<b>9</b>
<b><i>Required Supplementary Information</i></b>	
<b>General Fund Budgetary Comparison Schedule .....</b>	<b>15</b>
<b>Special Revenue Cemetery Fund Budgetary Comparison Schedule.....</b>	<b>16</b>

# **HYZER, HILL, KUZAK & CO., P.C.**

Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Pointe Aux Barques Township  
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Pointe Aux Barques Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pointe Aux Barques Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pointe Aux Barques Township as of March 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Hyzer, Hill, Kuzak & Co P.C.*

August 15, 2007

## **BASIC FINANCIAL STATEMENTS**

**Statement of Net Assets**  
**March 31, 2007**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents, unrestricted	\$ 243,874
Receivables, unrestricted - net of allowance	4,311
Capital assets, net	<u>258,322</u>
Total assets	<u><u>\$ 506,507</u></u>
<b>Liabilities</b>	
Accounts payable	\$ -
<b>Net Assets</b>	
Investment in capital assets, net	258,322
Unrestricted	<u>248,185</u>
Total net assets	<u><u>\$ 506,507</u></u>

**Statement of Activities**  
**For the Year Ended March 31, 2007**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Change in Fund Balance
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 28,957	\$ -	\$ -	\$ (28,957)
Public safety	20,100	-	-	(20,100)
Public works	61,187	-	-	(61,187)
Total governmental activities	110,244	-	-	(110,244)

General revenue:	
Property taxes	99,488
State sources	1,189
Unrestricted investment income	4,901
Total general revenue	105,578
Change in net assets	(4,666)
Net assets, beginning of year	511,173
Net assets, end of year	\$ 506,507

The notes to financial statements are an integral part of this statement.

	Governmental Fund Types		
	General Fund	Cemetery Special Revenue Fund	Total
<b>Assets</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 207,380	\$ 36,494	\$ 243,874
Receivables:			
Due from special assessments	19,422	-	19,422
Taxes	4,311	-	4,311
Due from other funds	7,258	-	7,258
Total assets	<u>\$ 238,371</u>	<u>\$ 36,494</u>	<u>\$ 274,865</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 7,258	\$ 7,258
<b>Fund Balances</b>			
Unrestricted	<u>238,371</u>	<u>29,236</u>	<u>267,607</u>
Total liabilities and fund balances	<u>\$ 238,371</u>	<u>\$ 36,494</u>	<u>\$ 274,865</u>

The notes to financial statements are an integral part of this statement.



**Reconciliation of Fund Balance on the Balance Sheet for  
Governmental Funds to Net Assets of Governmental Activities  
on the Statement of Net Assets  
March 31, 2007**

Total fund balances, governmental funds	\$ 267,607
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	452,000	
Accumulated depreciation	<u>(213,100)</u>	<u>238,900</u>

Net assets, governmental activities	<u>\$ 506,507</u>
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**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Fund Types**  
**For the Year Ended March 31, 2007**

	General Fund	Cemetery Special Revenue Fund	Total
<b>Revenue</b>			
Property taxes	\$ 99,488	\$ -	\$ 99,488
State sources	1,189	-	1,189
Interest	<u>3,964</u>	<u>937</u>	<u>4,901</u>
Total revenue	104,641	937	105,578
<b>Expenditures</b>			
General government	28,957	-	28,957
Public safety	20,100	-	20,100
Public works	<u>49,435</u>	<u>18</u>	<u>49,453</u>
Total expenditures	<u>98,492</u>	<u>18</u>	<u>98,510</u>
Excess of revenue over expenditures	6,149	919	7,068
Fund balances, beginning of year	<u>232,222</u>	<u>28,317</u>	<u>260,539</u>
Fund balances, end of year	<u><u>\$ 238,371</u></u>	<u><u>\$ 29,236</u></u>	<u><u>\$ 267,607</u></u>

The notes to financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended March 31, 2007**

Net change in fund balances, governmental funds		\$ 7,068
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	-	
Depreciation expense	<u>(11,734)</u>	<u>(11,734)</u>
Change in net assets, governmental activities		<u>\$ (4,666)</u>

**Fiduciary Funds  
Statement of Net Assets  
March 31, 2007**

**Assets**

Cash and cash equivalents	<u>\$ 54</u>
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**Liabilities**

Accounts payable	<u>\$ 54</u>
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The notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Pointe Aux Barques Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

***Reporting Entity***

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The *General fund* is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The *Cemetery fund* is used to account for the maintenance of the Township's cemetery.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

***Assets, Liabilities and Equity******Deposits and Investments***

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

***Interfund Receivables and Payables***

Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

***Inventories and Prepaid Items***

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$2,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems

30 - 40 years

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Eliminations and Reclassifications***

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

***Property Taxes***

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year, which includes the December 1<sup>st</sup> levy date. A levy of 9.2663 mills was applied to \$10,472,841 taxable value for the 2006 tax year. In addition, the Township collected the State Education Tax which was levied July 1<sup>st</sup> and due September 15<sup>th</sup>. The delinquent real property taxes of the Township are purchased by Huron County. The Township receives a payment for these taxes shortly after year end.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*****Budgetary Information***

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.



6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations as originally adopted and amended by the Township Board is included in the required supplementary information.
7. All annual appropriations lapse at fiscal year end.

***Excess of Expenditures Over Appropriations***

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2007, the Township incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund activity:			
General government:			
Tax assessor	\$ 3,000	\$ 3,607	607
Tax processing	400	618	218
Dues	400	465	65
Election	200	1,004	804
Insurance	9,850	9,881	31
Beach and parks	1,400	1,550	150
Office	850	872	22
Telephone	750	827	77
Utilities	6,800	8,589	1,789
Public safety:			
Security	15,000	16,830	1,830
Public works:			
Sanitation	8,000	12,435	4,435
Sewer	7,100	11,219	4,119

**3. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits and investments at March 31, 2007 are included in the statement of net assets under the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	<u>\$ 243,928</u>

***Deposits and Investments***

The Township's cash accounts are maintained at two banks. At March 31, 2007, the Township's deposits and investment balances were as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>
Deposits	\$ 181,844	\$ 54
Investments	62,030	-
	<u>\$ 243,874</u>	<u>\$ 54</u>

***Custodial Credit Risk - Deposits***

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, the Township's bank balance of \$203,734 included deposits of \$112,205 covered by FDIC insurance.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
J-Fund	\$62,030	Not rated	N/A

**4. WATER SYSTEM**

The Township is renovating and adding water transmission lines. Beginning in 2008, the Township will purchase water from the Port Austin Sewer and Water Authority and bill this water to its residents. The improvements are expected to cost \$455,000 and be completed in the fall of 2007. As of March 31, 2007, the Township's General Fund has paid \$19,422 for preliminary engineering and other project costs. Funding will be provided by special assessment to system users which are due over 10 years.

After March 31, 2007, the Township collected special assessment funds of \$213,000 from users who elected to pay their assessments early. The Township also sold special assessment bonds of \$241,500 to fund the project. These bonds are payable in annual amounts of \$24,150 plus interest at 4.85%.

The General Fund advance payment of system costs have been presented as construction in progress on the government-wide financial statements.

**5. CAPITAL ASSETS**

The Township's fixed assets consist of water and sewer infrastructure. These assets are carried in the governmental activities because the Township does not bill its residents for water and sewer usage. Beginning in 2008, the Township will bill its residents for water used.

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Water system	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in progress	-	19,422	-	19,422
Sewer system	52,000	-	-	52,000
Total cost	452,000	19,422	-	471,422
Less accumulated depreciation	201,366	11,734	-	213,100
	<u>\$ 250,634</u>	<u>\$ 7,688</u>	<u>\$ -</u>	<u>\$ 258,322</u>

**6. RECEIVABLE AND PAYABLE BALANCES**

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	Governmental Activities
Receivables	
Delinquent taxes due from County	<u>\$ 4,311</u>

**7. INTERFUND TRANSACTIONS**

The composition of interfund receivable and payable balances at March 31, 2007 is as follows:

Receivable fund	Payable fund	Amount
General Fund	Cemetery Fund	\$ 7,258

These balances are the result of the General Fund's funding of cemetery expenses.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there have been no significant reductions in insurance coverage.

**9. RELATED PARTY TRANSACTIONS**

Maintenance services including operation of the water and sewer systems are performed for the Township by Pointe Aux Barques, Inc., a Michigan corporation. The stockholders of Pointe Aux Barques, Inc. are limited to the property owners in the township. The total amounts paid to the Corporation for services during 2007 was \$43,136.

**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<b>Revenue</b>				
Property taxes	\$ 75,000	\$ 75,000	\$ 99,488	\$ 24,488
State sources	1,200	1,200	1,189	(11)
Interest	1,700	1,700	3,964	2,264
Total revenue	77,900	77,900	104,641	26,741
<b>Expenditures</b>				
General government:				
Tax assessor	3,000	3,000	3,607	(607)
Tax processing	400	400	618	(218)
Dues	400	400	465	(65)
Election	200	200	1,004	(804)
Insurance	9,850	9,850	9,881	(31)
Beach and parks	1,400	1,400	1,550	(150)
Office	850	850	872	(22)
Professional fees	4,500	4,500	1,365	3,135
Subscriptions	150	150	116	34
Telephone	750	750	827	(77)
Utilities	6,800	6,800	8,589	(1,789)
Other	210	210	63	147
Total general government	28,510	28,510	28,957	(447)
Public safety:				
Fire contract	3,000	3,000	3,000	-
Security	15,000	15,000	16,830	(1,830)
Ambulance	400	400	270	130
Total public safety	18,400	18,400	20,100	(1,700)
Public works:				
Sanitation	8,000	8,000	12,435	(4,435)
Sewer	7,100	7,100	11,219	(4,119)
Water	29,000	29,000	25,781	3,219
Total public works	44,100	44,100	49,435	(5,335)
Total expenditures	91,010	91,010	98,492	(7,482)
Excess of revenues over (under) expenditures	\$ (13,110)	\$ (13,110)	\$ 6,149	\$ 19,259

**Special Revenue Cemetery Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenue</b>				
Sale of lots	\$ 500	\$ 500	\$ -	\$ (500)
Interest	<u>-</u>	<u>-</u>	<u>937</u>	<u>937</u>
Total revenues	500	500	937	437
<b>Expenditures</b>				
Maintenance	<u>1,000</u>	<u>1,000</u>	<u>18</u>	<u>982</u>
Excess of revenues over (under) expenditures	<u><u>\$ (500)</u></u>	<u><u>\$ (500)</u></u>	<u><u>\$ 919</u></u>	<u><u>\$ 1,419</u></u>

# **HYZER, HILL, KUZAK & CO., P.C.**

Certified Public Accountants

1242 Sand Beach Road  
P.O. Box 326  
Bad Axe, MI 48413-0326

Phone: (989) 269-9541 • FAX: (989) 269-6777

Bruce Hill  
Donald Kuzak  
Michael Doerr

August 6, 2007

Pointe Aux Barques Township Board  
1846 Bayview  
Port Austin, MI 48467

Dear Board Members:

In planning and performing our audit of the financial statements of the Pointe Aux Barques Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be control deficiencies:

## **Financial Statement Preparation Controls**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for proceeding reliable financial statements, auditing standards indicate that the Township has a control deficiency. The Township is also responsible for providing us with the information needed to reconcile the fund financial statements to the government-wide financial statements, which includes capital asset additions.

We consider the following deficiencies to be significant deficiencies in internal control:

### **Property Tax Revenues**

Property taxes are collected in the Tax checking account. The Assistant Treasurer then writes checks to the Township for its share of the tax revenues. These checks are deposited in the Township General Fund savings account on a timely basis. However, the deposit is not entered on the accounting ledgers until April of the ensuing fiscal year.

The Township books, therefore, do not agree to the bank accounts and tax revenues are understated.

We suggest that all deposits be entered in the books on the day the funds are deposited at the bank.

### **Budget**

The Township overspent its budget in several areas. State statutes require that the Township Board amend the budget prior to spending amounts which cause budget overages.

We recommend that the Board review budget progress at each meeting and make budget adjustments where necessary.

### **Water System**

Beginning in the Township's year ending March 31, 2008, residents will be billed for their water usage. It is suggested that the Township utilize a separate bank account and bookkeeping fund to report the future income and expenses of the Water System.

### **Bank Reconciliations**

Although bank reconciliations are performed on a monthly basis, the reconciled balance is not always in agreement with the QuickBooks general ledger balance. This procedure should be performed whenever bank accounts are reconciled.

This communication is intended solely for the information and use of management, members of the Township Board, and others within the organization. It is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Hyzer, Hill, Kuzak & Co., P. C.